

Bill White

Mayor

Michael S. Marcotte, P.E., DEE Director P.O. Box 1562 Houston, Texas 77251-1562 www.houstontx.gov

Dear Customer.

City Ordinance 2004-299 provides that water and wastewater rates will be adjusted annually to cover operational cost increases in providing clean fresh water to Houston residents and the efficient removal and treatment of wastewater. This adjustment is based on the preceding calendar year's percentage change in the Houston-Galveston Area Consumer Price Index (CPI). For the calendar year ending December 31, 2006, the CPI was 2.80%. This adjustment will take effect April 1st. The billing you receive in May will reflect the increase. A sampling of the new rate tables can be found on the City's website at <a href="www.houstonwaterbills.org">www.houstonwaterbills.org</a> and will also be included on the back of your April water bill.

You can minimize the impact of the rate adjustment by using water efficiently and wisely, thus reducing your overall water usage. Tips on how to reduce your water usage are available on our website or on the bill inserts that accompany your monthly bill.

The annual water and sewer rate adjustment is key to funding continuous improvements, rehabilitation and maintenance of the water and wastewater system and improvements to our drainage system that are mandatory for the City to be able to provide these vital services now and in the future. Next year's capital improvement plan will include: \$152 million for wastewater system improvements; \$123 million for water system improvements; and \$60 million in drainage projects. These projects will have a positive impact on thousands of residences and businesses in Houston.

We are taking seriously our responsibility as stewards of these vital systems. Management of these assets requires a sound financial strategy, and this annual rate adjustment plays an important part of that strategy.

Sincerely,

Michael S. Marcotte, P.E., DEE

Orwhal & Marcette